

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

## **PAID UP OIL AND GAS LEASE**

THIS LEASE AGREEMENT is made this 7th day of May 2010, by and between **STEPHEN R. MORROW AND WIFE, ROSEANN MORROW**, Lessor (whether one or more) whose address is 10301 County Road 1117A, Cleburne, Texas 76031, and **BRAXTON ACQUISITIONS, LLC**, 3221 Collingsworth, Ste. 210, Fort Worth, Texas 76107, as Lessee. WITNESSETH:

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

1.636 acres of land, more or less, being all of Lot 1, Block 1, of the Ray Morrow Subdivision, a subdivision of the City of Fort Worth, Tarrant County, Texas according to the plat recorded in Volume 388-134, Page 56, of the Plat Records of Tarrant County, Texas.

For the purpose of determining the amount of any shut-in royalties hereunder, this lease is estimated to comprise 1.636 acres, whether actually more or less.

2. This is a paid-up lease and subject to the other provisions herein contained, this lease shall be for a term of three (3) years from the dated (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.

3. Royalties on Oil, Gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) for Oil and other liquid hydrocarbons saved at the well, the royalties shall be twenty four percent (24%) of the market value of such production, computed at the wellhead, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; and (b) for Gas (including casinghead gas) and all other substances covered hereby, the royalties shall be twenty four percent (24%) of the proceeds realized by Lessee from the sale thereof, computed at the wellhead, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price).

The royalties payable under the lease will be free of all production and post-production costs. It is the intent of the parties that the provisions of this section are to be fully effective and enforceable and are not to be construed as "surplusage" under the principles set for in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997). Notwithstanding the foregoing, Lessee may deduct from Lessor's share of production any such costs that result in enhancing the value of the oil, gas or other products to receive a better price, so long as the deductions are based on Lessee's actual costs and the total amount of the costs do not exceed the amount of the enhancement in value.

All royalty payments on the actual production of covered minerals shall be due within one hundred twenty (120) days after the end of the month during which the production occurred. In addition to any other remedies at law or in equity which may be available to Lessor, all such royalty payments not timely made shall bear interest beginning at the end of such 120-day period at the rate of twelve percent (12%) per annum, until paid. In the event a title opinion is prepared covering the lease premises in which title defects affecting Lessor's interest in the lease premises, other than title defects pertaining to the leasehold interest (working interest) created hereby are pointed out, the time from the date on which such title opinion is delivered to Lessee until such title defects are cured shall not be included in the one hundred twenty (120) day period provided for herein.

If at the end of the primary term or any time thereafter one or more wells on the lease premises or lands pooled therewith are capable of producing Oil, Gas, or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. Any well that has been drilled to depths capable of testing the Barnett Shale formation, but not fraced, shall be deemed capable of producing in paying quantities. If for a period of ninety (90) consecutive days such well or wells are shut-in or production from the Property is not being sold by Lessee, then Lessee shall pay shut-in royalties of twenty dollars (\$20.00) per net mineral acre then covered by this lease on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided, however, that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the lease premises or lands pooled therewith, no shut-in royalties shall be due until the end of the 90-day period next following cessation of such operations or production. Notwithstanding anything to the contrary herein, it is expressly understood and agreed that after the expiration of the primary term, Lessee shall not have the right to continue this lease in force by payment of shut-in royalties for more than two (2) consecutive years and three (3) cumulative years. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. Lessee shall have the right but not the obligation to pool all or any part of the lease premises or interests therein with any other lands or interests owned or leased by Lessee and its affiliates, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the Lease premises, whether or not similar pooling authority exists with respect to such other lands or interests; provided, however, that the entire Lease premises covered by this Lease shall be included in any unit(s) created pursuant to the pooling authority granted herein. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed three hundred twenty (320) acres plus a maximum acreage tolerance of ten percent (10%), and for a gas well or a horizontal completion shall not exceed six hundred forty (640) acres plus a maximum acreage tolerance of ten percent (10%). For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel, and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment, and "horizontal completion" means a well in which the horizontal component of the gross interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, within one hundred twenty (120) days of first production, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling which may be retroactive to first production. Production, drilling or reworking operations anywhere on a unit, which includes the lease premises, shall be treated as if it were production, drilling or reworking operations on the lease premises.

Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. If the lease premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

5. If Lessee drills a well which is incapable of producing in paying quantities (a "Dry Hole") on the lease premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Section 10 or the action of any governmental authority, then in the event this Lease is not otherwise being maintained in force, it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the lease premises or lands pooled therewith within one hundred eighty (180) days after completion of operations on such Dry Hole, or within one hundred eighty (180) days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this Lease is not otherwise being maintained in force but Lessee is then engaged in a drilling operation or ceased drilling operations on a well within ninety (90) days prior to the end of the Primary Term, a reworking operation or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than one hundred eighty (180) consecutive days, and if any such operations results in the production of Oil, Gas, or other substances covered hereby, as long thereafter as there is production in paying quantities from the Lease premises or lands pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Any provision herein to the contrary notwithstanding, at the end of the primary term or at the completion of any well that is drilling at the end of the primary term and is completed after the end of the primary term, if this lease is then being kept in force by production in paying quantities, this lease shall nevertheless terminate and all rights revert to and revest in Lessor without entry as to all depths 100 feet below the stratigraphic equivalent of the deepest producing horizon and all such depths covered by this lease shall automatically revert to and revest in Lessor. If Lessee has failed to so release the lease within ninety (90) days after termination, Lessor may designate the depths held by filing a suitable instrument for record.

7. This lease may not be assigned without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Lessee may assign this lease to EOG Resources, Inc. or an affiliate of EOG Resources, Inc. within sixty (60) days from the execution of this lease without the prior written consent of Lessor.

8. LESSEE, ITS SUCCESSORS AND ASSIGNS, AGREES TO INDEMNIFY, DEFEND AND HOLD HARMLESS THE PARTIES HEREIN DESIGNED LESSOR, AND THE OWNER OF THE SURFACE ESTATE, AND EACH OF THEM, FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, LIABILITIES, FINES, COSTS RESULTING FROM OR ARISING OUT OF OR IN CONNECTION WITH OPERATIONS OF OR FOR LESSEE, ITS AGENTS, CONTRACTORS OR SUBCONTRACTORS HEREUNDER, REGARDLESS OF THE CAUSE OF SUCH CLAIMS, LOSSES, LIABILITIES, FINES, OR COSTS. THIS PROVISION AND ITS INDEMNITIES SHALL SURVIVE THE TERMINATION OF THIS SHALL AND SHALL INURE TO THE SUCCESSORS, HEIRS AND ASSIGNS OF LESSOR AND LESSEE.

9. This lease is made without warranty of title, express or implied. Lessee, at its option, may discharge any tax, mortgage or other lien upon said land, either in whole or in part, and in the event Lessee does so, it shall be subrogated to such lien with right to enforce same and apply royalties accruing hereunder toward satisfying same. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if this lease covers a less interest in the oil, gas, sulfur or other minerals in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), on no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided. Should any one or more of the parties named above as Lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

10. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing any oil, gas or other minerals therefrom by reason of scarcity of or inability to obtain or use equipment or material, or by operation of force majeure, and Federal or state law or any order, rule, or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the lease premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.

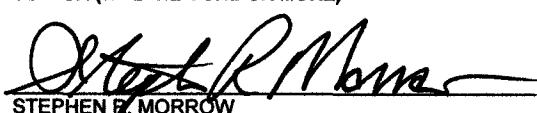
11. Upon Lessor's written request, Lessee agrees to deliver to Lessor at Lessor's address set forth above, a copy of all forms pertaining to the permitting, drilling, testing, completing, operating and plugging of a well or wells on the lease premises filed with the Railroad Commission of Texas or other body having jurisdiction, and a copy of all logs made on each well.

12. Notwithstanding anything contained herein to the contrary, Lessee does not by virtue of this lease acquire any rights whatsoever to conduct any operations on the surface of the lease premises without first obtaining prior written consent of Lessor, however, Lessee may recover oil, gas and associated hydrocarbons from the lease premises by directional or horizontal drilling, pooling, unitization or any other method provided in this lease.

13. Notwithstanding anything to the contrary herein, Lessee is hereby granted the exclusive option, to be exercised prior to the date which this Lease would expire in accordance with its terms and provisions, of extending this Lease for an additional period of two (2) years. The only action required by Lessee to exercise the option is payment made to Lessor prior to expiration of the Primary Term of this Lease of an additional consideration of \$3,000 per net mineral acre, which payment shall cover the entire two (2) year extended Primary Term. Should the option be exercised as herein provided, it shall be considered for all purposes as though this Lease originally provided for a primary term of five (5) years.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above:

LESSOR (WHETHER ONE OR MORE)

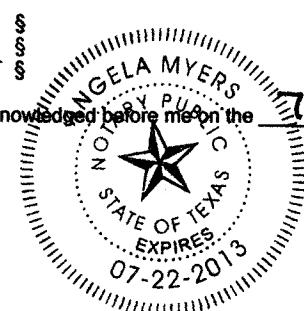
  
STEPHEN R. MORROW

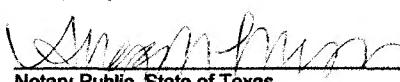
  
ROSEANN MORROW

#### ACKNOWLEDGMENT

STATE OF TEXAS      \$  
COUNTY OF TARRANT      \$

This instrument was acknowledged before me on the 7th day of May 2010 by Stephen R. Morrow.

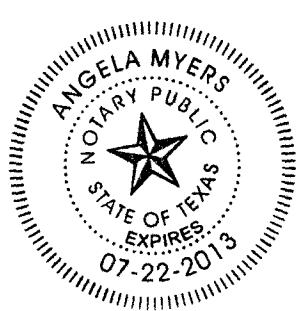


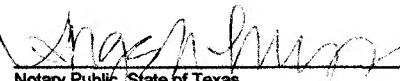
  
Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:

#### ACKNOWLEDGMENT

STATE OF TEXAS      \$  
COUNTY OF TARRANT      \$

This instrument was acknowledged before me on the 7th day of May 2010 by Roseann Morrow.

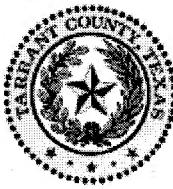


  
Notary Public, State of Texas  
Notary's name (printed):  
Notary's commission expires:

After Recording, Return to:  
Braxton Acquisitions, LLC  
3221 Collinsworth, Ste. 210  
Ft. Worth, TX 76107

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

BRAXTON ACQUISITIONS LLC  
3221 COLLINSWORTH STE 210  
FT WORTH, TX 76107

Submitter: ANGELA MYERS

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 5/14/2010 4:03 PM

Instrument #: D210114861

LSE 3 PGS \$20.00

By: Angela Myers

D210114861

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY  
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: VMMASSINGILL